

HAZELTON TOWNSHIP
SHAIWASSEE COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOV -6 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hazelton Township	County Shiawassee
Fiscal Year End March 31, 2007	Opinion Date October 5, 2007	Date Audit Report Submitted to State October 18, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

2007

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

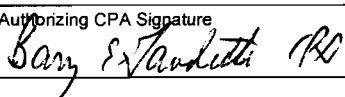
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 731 S. Garfield Avenue		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Elected Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds	
Balance Sheet with the Statement of Net Assets	6
Statement of Revenues, Expenditures, and	
Changes in Fund Balance - Governmental	
Funds	7
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balance	
of Governmental Funds to the Statement of	
Activities	8
Statement of Revenues, Expenditures, and Changes	
in Fund Balance - Budget and Actual - General	9-11
Statement of Fiduciary Net Assets - Fiduciary	
Funds	12
Statement of Changes in Fiduciary Net Assets	
- Fiduciary Funds	13
Notes to the basic financial statements	14-23
COMMENTS AND RECOMMENDATIONS	24

INTRODUCTORY SECTION

**Hazelton Township
List of Elected Officials
March 31, 2007**

ELECTED OFFICIALS

James R. Sheridan	Supervisor
Rebecca M. A. Hart	Clerk
Cheryl Pope	Treasurer
Allan Gross	Trustee
Tony Newman	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Hazelton Township
Shiawassee County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of Hazelton Township, Shiawassee County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hazelton Township, Shiawassee County, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hazelton Township has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

Barry E. Gaudette, CPA, P.C.
October 5, 2007

BASIC FINANCIAL STATEMENTS

**Hazelton Township
Statement of Net Assets
March 31, 2007**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 156,343
Taxes receivable	14,870
Prepaid insurance	11,604
Due from other funds	119,438
Capital assets (net of accumulated depreciation):	
Land and improvements	55,600
Fire vehicles and equipment	<u>111,011</u>
Total assets	<u>468,866</u>
LIABILITIES	
Accounts payable	<u>79,335</u>
Total liabilities	<u>79,335</u>
NET ASSETS	
Invested in capital assets, net of related debt	166,611
Unrestricted	<u>222,920</u>
Total net assets	<u><u>\$ 389,531</u></u>

See notes to financial statements

Hazelton Township
Statement of Activities
For the Year Ended March 31, 2007

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 7,500	\$	\$	\$
Government	86,174		1,254	
Public safety	60,778	2,500		4,000
Public works	173,461	93,240	4,195	385
Other	<u>24,359</u>		<u>1,833</u>	
Total governmental activities	<u>\$352,272</u>	<u>\$ 95,740</u>	<u>\$ 7,282</u>	<u>\$ 4,385</u>

General revenues:

Property taxes & administrative fees
Licenses & permits
State revenue sharing
Interest earnings
Sale of cemetery lots

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expense)
Revenue and
Changes in
Net Assets**

**Governmental
Activities**

\$ (7,500)

(84,920)

(54,278)

(75,641)

(22,526)

(244,865)

149,872

103

109,375

6,377

2,500

268,227

23,362

366,169

\$ 389,531

**Hazelton Township
Balance Sheet
Governmental Funds
March 31, 2007**

	<u>General</u>	<u>Garbage Collection</u>	<u>Road</u>
ASSETS			
Cash and cash equivalents	\$ 92,478	\$ 63,640	\$ 225
Taxes receivable	3,619	7,104	4,147
Prepaid insurance	11,604		
Due from other funds	<u>32,963</u>	<u>7,140</u>	<u>79,335</u>
Total assets	<u>\$ 140,664</u>	<u>\$ 77,884</u>	<u>\$ 83,707</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ _____	\$ _____	\$ 79,335
Total liabilities	_____	_____	<u>79,335</u>
Fund balances(deficit):			
Unreserved,			
reported in:			
General fund	140,664		
Special revenue funds	_____	<u>77,884</u>	<u>4,372</u>
Total fund balances	<u>140,664</u>	<u>77,884</u>	<u>4,372</u>
Total Liabilities and Fund Balances	<u>\$ 140,664</u>	<u>\$ 77,884</u>	<u>\$ 83,707</u>

See notes to financial statements

**Total
Governmental
Funds**

\$ 156,343
14,870
11,604
119,438

\$ 302,255

\$ 79,335

79,335

140,664
82,256

222,920

\$ 302,255

**Hazelton Township
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2007**

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 222,920
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	449,216
Accumulated depreciation	<u>(282,605)</u>

Total Net Assets - Governmental Activities	<u><u>\$ 389,531</u></u>
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See notes to financial statements

Hazelton Township
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For the Year Ended March 31, 2007

	<u>General</u>	<u>Garbage Collection</u>	<u>Road</u>
REVENUES			
Taxes & adm. fees	\$ 66,120	\$	\$ 83,752
Licenses & permits	103		
Intergovernmental revenue from State:			
State revenue sharing	109,375		
Metro Act	4,195		
Charges for services	2,500		
Interest earnings	5,259	1,117	1
Other revenue:			
Special assessments		93,240	
Sale of cemetery lots	2,500		
Public & private contributions	4,000		
Reimbursements	<u>3,472</u>		
Total revenues	<u>197,524</u>	<u>94,357</u>	<u>83,753</u>
EXPENDITURES			
Current:			
Legislative	7,500		
General government	83,581		
Public safety	36,023		
Public works	1,252	92,874	79,335
Other	24,359		
Capital outlay			
Total expenditures	<u>152,715</u>	<u>92,874</u>	<u>79,335</u>
Excess(deficiency) of revenues over(under) expenditures	44,809	1,483	4,418
OTHER FINANCING SOURCES (USES)			
Transfers in(out)	<u>42,116</u>		(<u>42,116</u>)
Net changes in fund balances	86,925	1,483	(37,698)
Fund balances-beginning	<u>53,739</u>	<u>76,401</u>	<u>42,070</u>
Fund balances-ending	<u>\$ 140,664</u>	<u>\$ 77,884</u>	<u>\$ 4,372</u>

See notes to financial statements

**Total
Governmental
Funds**

\$ 149,872
103

109,375
4,195
2,500
6,377

93,240
2,500

4,000
3,472

375,634

7,500
83,581
36,023
173,461
24,359

324,924

50,710

50,710

172,210

\$ 222,920

Hazelton Township
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$ 50,710

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. This
is the amount by which capital outlays
exceeded depreciation in the current period. (27,348)

Change in net assets of governmental activities	<u>\$ 23,362</u>
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See notes to financial statements

Hazelton Township
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance
-Budget and Actual
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Property taxes and related fees	\$ 70,901	\$ 70,901	\$ 66,120	\$ (4,781)
Licenses & permits	150	150	103	(47)
Intergovernmental revenue from State:				
State revenue sharing	112,900	112,900	109,375	(3,525)
Metro Act			4,195	4,195
Charges for services			2,500	2,500
Interest earnings	3,100	3,100	5,259	2,159
Other revenue:				
Sale of cemetery lots	1,000	1,000	2,500	1,500
Public & private contributions			4,000	4,000
Reimbursements			3,472	3,472
Total revenues	<u>188,051</u>	<u>188,051</u>	<u>197,524</u>	<u>9,473</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	<u>5,815</u>	<u>5,815</u>	<u>7,500</u>	<u>(1,685)</u>
General government:				
Supervisor:				
Wage	6,000	6,000	6,550	(550)
Supplies	50	50		50
Treasurer:				
Wage	7,800	7,800	8,500	(700)
Supplies	3,500	3,500	7,083	(3,583)
Assessor:				
Contract services	11,404	11,404	11,185	219
Supplies	1,340	1,340	1,340	
Clerk:				
Wage	7,800	7,800	8,425	(625)
Supplies	500	500	841	(341)

Hazelton Township
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance
-Budget and Actual
For the Year Ended March 31, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES (CONT'D)				
Current:				
General government				
(continued):				
Elections:				
Fees	2,300	2,300	4,124	(1,824)
Buildings & grounds:				
Wages	3,400	3,400	3,000	400
Repairs			1,376	(1,376)
Utilities	2,653	2,653	3,980	(1,327)
Insurance-general	4,300	4,300	4,332	(32)
Audit	3,100	3,100	7,600	(4,500)
Dues & memberships	100	100		100
Board of review	1,200	1,200	1,227	(27)
Cemetery:				
Insurance	932	932	1,083	(151)
Salaries	8,900	8,900	7,850	1,050
Supplies	5,085	5,085	5,085	
Total general government	<u>70,364</u>	<u>70,364</u>	<u>83,581</u>	<u>(13,217)</u>
Public safety:				
Fire protection	<u>29,500</u>	<u>29,500</u>	<u>36,023</u>	<u>(6,523)</u>
Public works:				
Road maintenance	50,158	50,158	385	49,773
Street lighting	<u>790</u>	<u>790</u>	<u>867</u>	<u>(77)</u>
Total public works	<u>50,948</u>	<u>50,948</u>	<u>1,252</u>	<u>49,696</u>

Hazelton Township
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance
-Budget and Actual
For the Year Ended March 31, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (CONT'D):				
Current:				
Other:				
Pension	10,123	10,123	10,099	24
Workmen's comp.			3,132	(3,132)
Payroll taxes	2,000	2,000	3,713	(1,713)
Special item:				
Downtown				
Development				
Authority	<u>15,301</u>	<u>15,301</u>	<u>7,415</u>	<u>7,886</u>
Total other	<u>27,424</u>	<u>27,424</u>	<u>24,359</u>	<u>3,065</u>
Capital outlay	<u>4,000</u>	<u>4,000</u>		<u>4,000</u>
Total expenditures	<u>188,051</u>	<u>188,051</u>	<u>152,715</u>	<u>35,336</u>
Excess(deficiency) of				
revenues over(under)				
expenditures			44,809	44,809
OTHER FINANCING				
SOURCES (USES)				
Transfers in			<u>42,116</u>	<u>42,116</u>
Net changes in fund				
balance			86,925	86,925
Fund balance -				
beginning			<u>53,739</u>	<u>53,739</u>
Fund balance -				
ending	<u>\$</u>	<u>\$</u>	<u>\$140,664</u>	<u>\$ 140,664</u>

See notes to financial statements

**Hazelton Township
Statement of Fiduciary Funds
Fiduciary Funds
March 31, 2007**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>182,801</u>
Total assets	<u>182,801</u>
LIABILITIES	
Due to other funds	119,438
Due to other governmental units	<u>63,363</u>
NET ASSETS	
Held in trust for other purposes	<u><u>\$</u></u>

See notes to financial statements

Hazelton Township
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2007

	<u>Agency Fund</u>
ADDITIONS	
Property tax collections,	
special assessments and fees	\$1,713,432
Interest earnings	<u>8,282</u>
Total additions	<u>1,721,714</u>
DEDUCTIONS	
Payments to other funds	243,112
Payments to other governmental units	<u>1,478,602</u>
Total deductions	<u>1,721,714</u>
Changes in net assets	
Net assets - beginning	_____
Net assets - ending	<u>\$ _____</u>

See notes to financial statements

Hazelton Township
Notes to the Basic Financial Statements
March 31, 2007

I. Summary of significant accounting policies

The financial statements of Hazelton Township (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township does not have any component units. The Township is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns

in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Shiawassee County, which advances the Township 100% for the delinquent taxes.

The 2006 taxable valuation of the Township totaled \$57,980,221, on which ad valorem taxes levied consisted of .9297 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$12,222 to collect the taxes and applicable interest.

The Township also levies 1.4446 mills for Township roads that are recognized in the Road Fund as current tax revenue.

The Township also levies .4911 mills for the Library that are paid directly to the Shaiwassee District Library.

The Township collects special assessments from residents to pay for garbage pickup costs. This amount is recognized in the Garbage Collection Fund as other revenue.

The Township collects a special assessment fee of \$25 from residents to pay for ambulance costs. The amount collected is paid directly to Twin Township Ambulance.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *garbage collection fund* is a special revenue fund that accounts for the collection of special assessments from residents for costs of garbage pickup.

The *road fund* is a special revenue fund that accounts for the collection of a tax levy for the costs of road maintenance in the Township.

The Township reports the following fiduciary funds:

These funds are used to account for assets held in trust or as an agent for others. The Township has one fiduciary fund as follows:

Agency Fund

Agency funds are purely custodial in nature (assets equal liabilities) and thus, do not involve measurement of results of operations. The *tax collection fund* is an agency fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special

assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Fire vehicles	20
Office furniture and equipment	5
Cemetery equipment	5
Fire equipment	5

6. Compensated absences

The Township does not have a compensated absence policy.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township does not have any long-term debt.

8. Fund balance

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so

that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. Budgets were adopted for the special revenue funds. The Garbage Collection Fund budget was \$94,600 and the Road Fund budget was \$80,818 (includes \$50,158 budgeted in the General Fund).
6. The budget as presented, has not been amended.

B. Excess of expenditures over appropriations

For the year ended March 31, 2007, expenditures exceeded appropriations in the following activities:

<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance (Negative)</u>
General Fund:			
Legislative	\$ 5,815	\$ 7,500	\$ (1,685)
Supervisor	6,050	6,550	(500)
Treasurer	11,300	15,583	(4,283)
Clerk	8,300	9,266	(966)
Electons	2,300	4,124	(1,824)
Buildings & grounds	6,053	8,356	(2,303)
Insurance	4,300	4,332	(32)
Audit	3,100	7,600	(4,500)
Board of review	1,200	1,227	(27)
Street lighting	790	867	(77)
Workmen's compensation		3,132	(3,132)
Payroll taxes	2,000	3,713	(1,713)

These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on Transaction Classes/Accounts

A. Cash and Investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note I. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Township (or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

	<u>Custody Credit Risk</u>				<u>Total</u>
	<u>Total Bank</u>	<u>Category</u>	<u>Category</u>	<u>Category</u>	<u>Carrying</u>
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>
Demand					
deposits	\$ 547,280	\$200,000	\$347,280	\$	\$ 285,280
Savings	<u>53,865</u>	<u>53,865</u>	<u></u>	<u></u>	<u>53,865</u>
Total					
deposits	<u>\$ 601,145</u>	<u>\$253,865</u>	<u>\$347,280</u>	<u>\$</u>	<u>\$ 339,145</u>

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 339,145</u>
Cash and cash equivalents:	
General, garbage collection, and road funds	\$ 158,577
Tax collection fund	442,567
Checks written in excess of deposits	<u>(264,999)</u>
Total	<u>\$ 339,145</u>

B. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ 55,600	\$ _____	\$ _____	\$ 55,600
Capital assets, being depreciated:				
Buildings & improvements	85,493			85,493
Fire vehicles & equipment	282,192			282,192
Cemetery equipment	6,204			6,204
Office equipment	19,727	_____	_____	19,727
Total capital assets being depreciated	<u>393,616</u>	_____	_____	<u>393,616</u>
Less accumulated depreciation for:				
Buildings & improvements	(85,493)			(85,493)
Fire vehicles & equipment	(146,426)	(24,755)		(171,181)
Cemetery equipment	(5,584)	(620)		(6,204)
Office equipment	(17,754)	(1,973)	_____	(19,727)
Total accumulated depreciation	<u>(255,257)</u>	<u>(27,348)</u>	_____	<u>(282,605)</u>
Total capital assets, being depreciated, net	<u>138,359</u>	<u>(27,348)</u>	_____	<u>111,011</u>
Governmental activities capital assets, net	<u>\$ 193,959</u>	<u>\$ (27,348)</u>	<u>\$ _____</u>	<u>\$ 166,611</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 2,593
Public safety	<u>24,755</u>
Total depreciation expense-governmental activities	<u>\$ 27,348</u>

C. Interfund receivables, payables, and transfers

There was an interfund transfer of \$8,443 from the road fund to the general fund during the fiscal year.

The composition of interfund balances as of March 31, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency fund	\$ 32,963
Garbage collection	Agency fund	7,140
Road	Agency fund	<u>79,335</u>
		<u>\$119,438</u>

IV. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Township paid \$10,009 plus fees of \$90 to John Hancock Life Insurance Company for a defined contribution plan.

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Hazelton Township
Shiawassee County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Comments and recommendations were not necessary.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, and the Michigan Department of Treasury and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

October 5, 2007